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Report July 2024.

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Report

In July 2024, global financial markets experienced significant volatility, driven by a complex interplay of macroeconomic variables, geopolitical developments, and shifts in the monetary policies of major economies. This period was marked by a series of events and dynamics that heightened investor uncertainty, leading to substantial fluctuations in asset prices across both developed and emerging markets.

Global Macroeconomic Overview

On the macroeconomic front, the global economy continued to show signs of slowing, with moderate growth in developed nations and a more pronounced contraction in certain emerging markets. In the United States, GDP growth exhibited signs of deceleration compared to previous quarters, fueling concerns about a broader slowdown in the second half of the year. Despite this, economic data continued to reflect a robust labor market, with unemployment rates near historic lows, though there were indications of cooling in job creation.

The Federal Reserve, in the context of inflation that, while showing signs of easing, remains above the 2% target, maintained a cautious stance, signaling the potential for further interest rate hikes. This position helped keep bond yields elevated and exerted pressure on equity valuations, particularly in interest rate-sensitive sectors such as real estate and durable consumer goods.

In Europe, the economy continued to face significant challenges. Inflation remained a central concern for the European Central Bank (ECB), which indicated the possibility of monetary tightening in the coming months, albeit with a more cautious approach than the Fed, given the fragility of economic growth in the Eurozone. Eurozone GDP showed limited expansion, hampered by weak domestic demand and persistent uncertainties related to international trade tensions, particularly with China. The latter, on its part, displayed more marked economic slowdown signs, with a decline in exports and subdued domestic consumption, despite government efforts to stimulate the economy through fiscal measures. The weakness in Chinese demand had repercussions on many emerging economies, particularly those heavily reliant on commodity exports.

Equity Markets

July saw divergent trends in global equity markets. In the United States, the S&P 500 posted modest growth, primarily supported by the technology and healthcare sectors, which benefited from strong quarterly earnings. However, more cyclical and interest rate-sensitive sectors underperformed, reflecting concerns about a potential economic slowdown. The Nasdaq, with its heavy exposure to the tech sector, outperformed other indices, driven by continued innovation and long-term growth prospects of many of its key components.

In Europe, equity indices recorded limited growth, with Germany's DAX and France's CAC 40 showing slight gains. Concerns about a potential technical recession in Germany and political uncertainty in France, combined with persistent inflation, contributed to a cautious sentiment among investors. The ECB, while maintaining a relatively accommodative monetary policy, hinted at the possibility of reducing asset purchases, thereby increasing pressure on peripheral sovereign bonds and riskier assets.

Emerging markets faced more complex conditions. The MSCI Emerging Markets Index declined, affected by China's economic weakness and concerns about rising global interest rates. Latin American and Asian economies were particularly impacted, with Brazil and India seeing contractions in their respective equity indices, reflecting internal challenges and growing

inflationary pressures. In Africa, markets remained under strain due to the rising cost of dollar-denominated debt and commodity price volatility.

Commodities

The commodities market saw a rise in oil prices, driven by concerns over global supply. Geopolitical tensions in the Middle East, particularly instability in Iran and production difficulties in Libya, fueled fears of a supply reduction. This, coupled with a slowdown in U.S. production due to infrastructure issues, pushed crude prices to their highest levels in six months. The increase in oil prices, however, rekindled global inflation concerns, which could prompt central banks to further tighten their monetary policies.

Gold experienced a slight increase in value, supported by heightened financial market volatility and geopolitical uncertainties. As a safe-haven asset, gold benefited from the growing risk sentiment among investors, although the appreciation of the U.S. dollar limited its gains.

Bond Markets

In the bond market, sovereign yields exhibited mixed trends. In the United States, 10-year Treasury yields remained relatively stable around 4%, reflecting a balance between inflation expectations and concerns about a possible growth slowdown. The yield curve remained flat, indicating that investors are worried about potential short-term economic deceleration.

In Europe, German Bund yields edged higher in response to the ECB's statements suggesting a possible reduction in bond purchases in the coming months. This led to a widening of spreads between Bunds and the sovereign bonds of peripheral Eurozone countries like Italy and Spain, reflecting growing concerns about debt sustainability in a less accommodative monetary environment.

Key News Events

July 2024 was also shaped by several significant news events that further fueled volatility and uncertainty in global financial markets. These events, spanning economic and geopolitical domains, had a substantial impact on investor strategies and sentiment.

One of the most notable events was the escalation of trade tensions between the United States and China. After months of fruitless negotiations, the U.S. announced new tariffs on a broad range of Chinese products in response to what Washington considers unfair trade practices by Beijing. China retaliated with countermeasures, imposing tariffs on key U.S. exports. This renewed trade war sparked fears of a global recession, triggered by a slowdown in global trade growth and the uncertainty these tensions brought to global markets. Asian stock markets, particularly Shanghai, suffered significant losses, with the Shanghai index recording one of the worst monthly performances of the year.

In Europe, a significant development was the political crisis in France, where President Emmanuel Macron's government faced a series of nationwide strikes and protests against its economic reforms. The growing opposition generated political uncertainty and put pressure on the government, with repercussions on financial markets. Investors expressed concerns about the political stability of the Eurozone's second-largest economy, leading to a sell-off in French bonds and an increase in spreads between French government bonds and German Bunds. The European banking sector, already under pressure from rising interest rates, was negatively affected by the situation, leading to increased volatility in banking stocks.

In the tech sector, July 2024 also saw significant advancements in the artificial intelligence (AI) industry. Major U.S. tech companies, including Microsoft and Alphabet (Google's parent company), announced substantial progress in their generative AI platforms, sparking a new wave of investor enthusiasm. However, this euphoria was tempered by regulatory concerns, as authorities in Europe and the U.S. began discussing new laws to regulate AI use, citing potential risks related to privacy and security. These developments led to some volatility in tech stocks, with some investors taking profits after the sector's recent rally.

Lastly, the month was marked by extreme weather events that had significant repercussions on commodity markets. In particular, unprecedented heatwaves in North America and Europe caused severe damage to agricultural crops, leading to a spike in prices for grains and other agricultural commodities. Farmers faced significant losses, raising concerns about a potential food crisis, especially in the world's poorer regions. Commodity markets reacted with a surge in prices, putting additional pressure on net food-importing countries and further fueling global inflationary concerns.

In conclusion, July 2024 was not only characterized by important macroeconomic and market developments but also by a series of high-impact news events that shaped investor sentiment. Trade tensions between major economies, internal political crises in developed countries, technological advancements, and climate challenges all played crucial roles in increasing the complexity and uncertainty of the global financial landscape. Investors now face the challenge of navigating a highly dynamic and unpredictable environment, where adaptability and risk management will be essential for long-term success.

In July 2024, our investment strategy led to a strong performance, closing the month with a 5.46% gain. This success was achieved through careful and adaptive allocation adjustments across all five of our investment accounts, focusing on key currency pairs and commodities, particularly CAD/CHF, GBP/USD, EUR/USD, and XAU/USD (gold). The volatile market environment, shaped by central bank actions, economic data, and geopolitical tensions, required a nuanced approach to each account's allocation.

Account 1 allocated 50% to forex, with a significant focus on CAD/CHF, GBP/USD, and EUR/USD. The account capitalized on the strength of the Canadian dollar, driven by rising oil prices, and the relative weakness of the British pound and the euro against the US dollar. Gold (XAU/USD) also played a crucial role, as our positions benefitted from gold's price fluctuations amid inflation concerns and global uncertainty.

Account 2 adopted a strategy heavily weighted towards commodities, increasing its allocation to 60% with a strong focus on gold. The remaining 40% was balanced between forex, where trades in CAD/CHF and GBP/USD were particularly successful, and selective positions in indices. This account's performance was bolstered by the strategic timing of trades in these currency pairs and commodities, capturing gains from the volatility in the markets.

Account 3 maintained a diversified approach, allocating 30% to forex, 30% to indices, and 40% to commodities. The CAD/CHF, GBP/USD, and EUR/USD pairs provided robust returns, particularly through well-timed short positions in GBP/USD and EUR/USD, taking advantage of their respective weaknesses. The commodities allocation, with a focus on gold, also contributed significantly, as gold prices fluctuated in response to global economic uncertainties and investor demand for safe-haven assets.

Account 4 placed a heavy emphasis on commodities, dedicating 70% of its allocation to this sector, primarily in gold. The remaining 30% was divided between forex and indices. In the forex market, CAD/CHF and GBP/USD were the primary focus, with trades in these pairs proving highly profitable due to their respective market conditions. This account's strategy was particularly

effective in capturing gains from the strong performance of gold and the strategic positioning in key currency pairs.

Account 5 adopted a balanced allocation strategy, with 30% in forex, 30% in indices, and 40% in commodities. This approach allowed the account to capitalize on opportunities across all asset classes. Forex trades in CAD/CHF, GBP/USD, and EUR/USD were managed effectively, capturing gains from the movements driven by central bank policies and economic data. The indices allocation focused on sectors that benefitted from the overall market trends, while the commodities allocation, particularly in gold, provided additional stability and gains.

Overall, our strategic allocation adjustments in response to the volatile market conditions in July 2024 enabled us to optimize returns across all five accounts, resulting in a collective gain of 5.46%. This performance reflects our ability to navigate complex market environments and capitalize on emerging opportunities, ensuring robust returns for our portfolios.